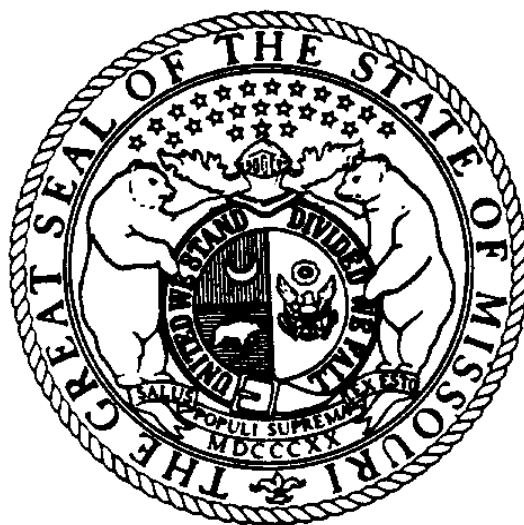


**REPORT
OF
SENATE SELECT COMMITTEE
ON
OVERSIGHT OF FEDERAL STIMULUS**



Prepared by:
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April 21, 2009

The Honorable Charlie Shields, President Pro Tem of the Senate
State Capitol Building, Room 326
Jefferson City, MO 65101

Dear Mr. President:

The Senate Select Committee on Oversight of Federal Stimulus, has met, taken testimony, deliberated, and concluded its study on Federal Stimulus spending in Missouri. The undersigned members of the Committee are pleased to submit the attached report.

Senator Scott Rupp, Chair

Senator, Rita Heard Days

Senator Chuck Purgason

Senator Eric Schmidt

Senator David Pearce

Senator Kurt Schaefer

Senator Luann Ridgeway

Senator Tom Dempsey

Senator Jack Goodman

Senator Victor Callahan

Senator Jolie Justus

Senator Bill Stouffer

Senator Jason Crowell

Senate Select Committee on Oversight of Federal Stimulus

I. Overview

Recognizing that Missouri needs to determine how best to utilize the funds for Missouri from the American Recovery and Reinvestment Act (H.R. 1), the President Pro Tem of the Missouri Senate pursuant to Rule 31, created the Senate Select Committee on Oversight of Federal Stimulus. The Senate Select Committee on Oversight of Federal Stimulus was charged with studying and analyzing strategies for securing the maximum amount of federal dollars for Missouri and Missourians that will come from the anticipated federal economic stimulus plan of 2009. The members of the committee were appointed by the President Pro Tem and Minority Leader of the Senate. The members of the committee consisted of the following Senators: Senator Scott Rupp, Chair; Senator Rita Heard Days, Senator Chuck Purgason, Senator Eric Schmitt, Senator David Pearce, Senator Kurt Schaefer, Senator Luann Ridgeway, Senator Tom Dempsey, Senator Jack Goodman, Senator Victor Callahan, Senator Jolie Justus, Senator Bill Stouffer, Senator Jason Crowell

The committee held public hearing and solicited testimony regarding a wide range of issues related to the American Recovery and Reinvestment Act (ARRA). Hearings were held in Jefferson City on:

January 28, 2009
February 4, 2009
February 16, 2009
February 24, 2009

Based on written and oral testimony provided by the Office of the Governor, Office of Administration Division of Budget and Planning, Office of the State Auditor, Missouri Department of Transportation, and representatives of the National Conference of State Legislatures the committee has compiled findings and recommendations on the use of ARRA funds.

II. Background

Missouri expects to receive approximately \$4 billion in funds from ARRA from dozens of sources and for dozens of purposes. The funds are basically divided into three broad categories: Budget Stabilization, Existing Federal Programs, and Competitive Grants.

A. Budget Stabilization

The budget stabilization funds are disbursed to the states through two mechanisms: education funds and Enhanced Medicaid Reimbursements.

Education Funds

The Federal Department of Education has indicated that Missouri will receive \$921 million in education budget stabilization funds. The ARRA requires 81.8% of these funds to be used exclusively for education and the remaining 18.2% may be used for education or other essential government services. To qualify for these funds states must “provide assurances in its application that it will (1) spend in FY09, FY10, and FY11 at least as much as was spent in FY06 for both K-12 and Higher Education; (2) take actions to improve teacher effectiveness and ... address inequities in the distribution of highly qualified teachers between high-and low-poverty schools,” and (3) establish a longitudinal data system.

Enhanced Medicaid Reimbursements

The ARRA provides a temporary increase to the states Federal Medicaid Assistance Percentage (FMAP). Missouri’s FMAP is currently 64%. Under ARRA, Missouri will be reimbursed an additional 6.2%, plus an additional 1.8% due to Missouri’s disproportionately high unemployment rate for a total increase in Missouri’s FMAP of 8.0%. This increased reimbursement rate will yield approximately \$1.250 billion in additional federal funds through the end of calendar year 2010. To qualify for these funds, states must not make their Medicaid eligibility rules more restrictive than those in effect on July 1, 2008. The only restriction on the expenditure of these funds is that they may not be deposited or credited into any reserve or rainy day fund of the State.

B. Existing Federal Program Funds

Approximately 25% of ARRA funds will flow through existing federal programs. These funds will be distributed through pre-existing formulas, administered using existing resources, and spent according to pre-existing rules and criteria. Some of these funds will begin flowing in Missouri’s current fiscal year and could be available through the end of Federal Fiscal Year 2010.

C. Competitive Grants

Competitive grants will make up approximately 33% of funding from the ARRA. Competitive grants will be available for job training and education, environmental projects, energy projects, science and health care projects, community development efforts, public safety programs, and broadband and other infrastructure projects.

III. Recommendations

The committee recommends the development of transparency and accountability standards for the use of ARRA funds. The state should set up procedures and policies to prevent waste, fraud, and abuse of ARRA funds including:

- (1) Reviewing whether the reporting of contracts and grants using covered funds meets applicable standards and specifies the purpose of the contract or grant and measures of performance;
- (2) Reviewing whether competition requirements applicable to contracts and grants using covered funds have been satisfied; and
- (3) Auditing or reviewing covered funds to determine whether wasteful spending, poor contract or grant management, or other abuses are occurring and referring matters it considers appropriate for investigation to the attorney general or the agency that disbursed the covered funds.

The committee recommends ARRA moneys be segregated into separate funds within the state treasury.